



Property Casualty Insurers
Association of America
Shaping the Future of American Insurance

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STATEMENT

PROPERTY CASUALTY INSURERS ASSOCIATION OF AMERICA (PCI)

S.B. No. 309 - AN ACT ESTABLISHING A DIVISION OF INSURANCE FRAUD IN THE INSURANCE DEPARTMENT.

COMMITTEE ON INSURANCE AND REAL ESTATE

February 10, 2011

The Property Casualty Insurers Association of America (PCI) appreciates the opportunity to comment on S.B. 309, which would establish a Division of Insurance Fraud within the Insurance Department. Our comments are provided on behalf of the member companies of PCI, a national property casualty trade association with over 1,000 member companies. PCI members provide 41 percent of Connecticut's property casualty insurance coverage.

While fighting insurance claims fraud is a top priority of PCI, we are concerned about the scope of authority of the proposed Division of Insurance Fraud under this bill. This legislation would give the Division the authority to "enforce the insurance laws of the state", which is an overly broad mandate for the Division. If the Division is going to focus on targeting criminals fraudulently seeking benefits under insurance policies to which they are not entitled, then PCI believes that is a worthwhile objective because such fraud drives up premiums for law abiding Connecticut policyholders. We would submit that the language setting forth the authority of the new Division should be tailored to this purpose. We are also unclear as to how the new Division would differ from the Fraud, Investigations and Compliance Unit which currently exists within the Insurance Department.

If, however, the purpose of this legislation is to establish an additional Division within the Insurance Department to target alleged misconduct by insurance companies, we would submit that such functions are already being undertaken thoroughly by the Insurance Department under its current structure. The Insurance Department already has an active Consumer Affairs Unit and Market Conduct Unit which ensure that insurance companies are acting within the bounds of their contracts, applicable regulations and the law. In fact, the Insurance Department issued a press release on January 24th of this year announcing that the Consumer Affairs Unit recovered \$3.4 million in 2010 and the Market Conduct Unit collected \$2.35 million in fines in 2010. These substantial sums well demonstrate the thorough job which these units are currently doing.

PCI is also concerned with Section 38a-9(d)(2) which deals with the funding of the proposed Division of Insurance Fraud and indicates that the Division shall be funded initially from a settlement between the Attorney General and a named insurance company. We believe that it is highly improper to name a particular insurance company in statute in this manner, particularly when the settlement at issue specifically indicated that the settlement did not represent an admission. For the foregoing reasons, PCI urges your Committee to not favorably advance SB 309.